

Covidien plc  
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Subject Company: Covidien plc

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Date: June 16, 2014

**EMPLOYEE LETTER:**

Dear Colleagues:

Today, I am excited to announce that we are acquiring Covidien, a global healthcare technology and medical supplies provider and a highly respected company in our industry. Under the terms of the proposed acquisition, we will pay \$42.9 billion for Covidien through a combination of cash and stock. You can read more details of our announcement here [www.globalmedtechleader.com](http://www.globalmedtechleader.com).

First and foremost, this acquisition will allow us to greatly advance and accelerate our Mission of alleviating pain, restoring health and extending life for patients around the world.

Once the transaction is complete, this will further advance our industry leading position in medical technology and services, allowing us to reach more patients, in more ways, in more places. The two companies combined will have \$27 billion in revenues and more than 87,000 people around the world. Our entire management team, as well as the management team of Covidien, is extremely excited about the future. Combined, we can accelerate our common goal of addressing the universal healthcare needs: improving clinical outcomes, expanding access, and optimizing cost and efficiency, thereby improving healthcare systems around the world.

This transaction is fully in line with our three growth strategies of therapy innovation, globalization and economic value. First, it will strengthen and broaden our capabilities to develop and commercialize **therapy innovations**. Covidien's impressive array of industry leading products enhances our existing portfolio, offers greater breadth across clinical areas, and creates exciting entry points into new therapies. These include technologies in the peripheral vascular and neurovascular space, address a broad range of open and minimally invasive surgical procedures, and give us an entry into new segments such as lung cancer and GERD.

In connection with this transaction, Medtronic has committed to invest an incremental \$10 billion in U.S. technology in the form of early stage ventures, acquisitions and research and development over the next decade. Ultimately, this will lead to better healthcare systems, both in the U.S. and around the world.

Second, our **globalization** strategy will be significantly advanced through a much deeper presence outside the United States. With the addition of Covidien, Medtronic's revenues outside the U.S. will grow to \$13 billion. We will have a \$3.7 billion emerging markets business that we are confident can sustain double-digit growth over an extended period of time. Covidien has extensive capabilities in emerging market R&D and manufacturing, while Medtronic has

well-established clinical expertise. These capabilities, applied across a much broader product offering, will significantly increase the number of attractive solutions we can offer to governments and major providers.

Third, this transaction enhances Medtronic's ability to deliver **economic value** for healthcare systems around the world. We will be able to capitalize on the deep relationships both companies have with healthcare system stakeholders, which will help us better address their cost and access needs.

By advancing our core strategies in these ways, we will build upon our industry leadership with critical competitive advantages in the evolving healthcare environment.

While the integration of Covidien into our business will take some time and can only be implemented after the acquisition closes, there are a number of things we can tell you with certainty now: Medtronic's operational headquarters will remain in Minneapolis; we will continue to operate under the Medtronic brand; and I will be Chairman and CEO. Because our product portfolios are highly complementary, there will be little impact on jobs and roles for Medtronic employees. As with most acquisitions, there will be some consolidation activity, primarily in back-office functions. We will do a thorough assessment as part of our integration process and will provide frequent employee updates.

Following the close of the transaction, Medtronic will be legally domiciled in Ireland, which is the most financially efficient way to structure this transaction. This structure will support our ability to create long-term shareholder value and make incremental investments in U.S. technology. While this new structure may receive some media scrutiny in the days and weeks ahead, I can assure you that this is the best structure, under current law, to bring these two world-class companies together.

For your reference, I have included below answers to some questions that you may have. I look forward to speaking to you at our town hall meeting tomorrow, and will answer additional questions at that time. I will continue to keep you updated in the coming weeks and months as we work toward an anticipated closing of this transaction later this calendar year or early next.

Until the transaction closes, the two businesses will continue to operate independently. It's important that we meet our current obligations and objectives in the marketplace, and I thank you in advance for maintaining your focus on our current operations.

Finally, I am extremely impressed by the Covidien team, the company that they have built, and the product pipeline they have developed. We are truly excited to welcome them to the Medtronic family. I think you will find that their deep commitment to patients mirrors our Mission-driven approach. Covidien's culture is also centered around a commitment to constant innovation. I am confident our teams will enjoy working, learning and innovating together as one.

This is a very exciting and historic day for Medtronic, and I look forward to working with you to pursue the many opportunities ahead of us.

Sincerely,

Omar

## **NO OFFER OR SOLICITATION**

This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the acquisition, the merger or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

## **IMPORTANT ADDITIONAL INFORMATION WILL BE FILED WITH THE SEC**

New Medtronic will file with the Securities and Exchange Commission (the SEC ) a registration statement on Form S-4 that will include the Joint Proxy Statement of Medtronic and Covidien that also constitutes a Prospectus of New Medtronic. Medtronic and Covidien plan to mail to their respective shareholders the Joint Proxy Statement/Prospectus (including the Scheme) in connection with the transactions. **INVESTORS AND SHAREHOLDERS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS (INCLUDING THE SCHEME) AND OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SEC CAREFULLY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT MEDTRONIC, COVIDIEN, NEW MEDTRONIC, THE TRANSACTIONS AND RELATED MATTERS.** Investors and security holders will be able to obtain free copies of the Joint Proxy Statement/Prospectus (including the Scheme) and other documents filed with the SEC by New Medtronic, Medtronic and Covidien through the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). In addition, investors and shareholders will be able to obtain free copies of the Joint Proxy Statement/Prospectus (including the Scheme) and other documents filed by Medtronic and New Medtronic with the SEC by contacting Medtronic Investor Relations at [investor.relations@medtronic.com](mailto:investor.relations@medtronic.com) or by calling 763-505-2696, and will be able to obtain free copies of the Joint Proxy Statement/Prospectus (including the Scheme) and other documents filed by Covidien by contacting Covidien Investor Relations at [investor.relations@covidien.com](mailto:investor.relations@covidien.com) or by calling 508-452-4650.

## **PARTICIPANTS IN THE SOLICITATION**

Medtronic, New Medtronic and Covidien and certain of their respective directors and executive officers and employees may be considered participants in the solicitation of proxies from the respective shareholders of Medtronic and Covidien in respect of the transactions contemplated by the Joint Proxy Statement/Prospectus. Information

regarding the persons who may, under the rules of the SEC, be deemed participants in the solicitation of the respective shareholders of Medtronic and Covidien in connection with the proposed transactions, including a description of their direct or indirect interests, by security holdings or otherwise, will be set forth in the Joint Proxy Statement/Prospectus when it is filed with the SEC. Information regarding Medtronic's directors and executive officers is contained in Medtronic's Annual Report on Form 10-K for the fiscal year ended April 26, 2013 and its Proxy Statement on Schedule 14A, dated July 12, 2013, which are filed with the SEC. Information regarding Covidien's directors and executive officers is contained in Covidien's Annual Report on Form 10-K for the fiscal year ended September 27, 2013 and its Proxy Statement on Schedule 14A, dated January 24, 2014, which are filed with the SEC.

### **Medtronic Cautionary Statement Regarding Forward-Looking Statements**

Statements contained in this communication that refer to New Medtronic's and/or Medtronic's estimated or anticipated future results, including estimated synergies, or other non-historical facts are forward-looking statements that reflect Medtronic's current perspective of existing trends and information as of the date of this communication. Forward looking statements generally will be accompanied by words such as anticipate, believe, plan, could, should, expect, forecast, outlook, guidance, intend, may, might, will, possible, potential, predict, words, phrases or expressions. It is important to note that Medtronic's goals and expectations are not predictions of actual performance. Actual results may differ materially from Medtronic's current expectations depending upon a number of factors affecting New Medtronic's business, Medtronic's business, Covidien's business and risks associated with the proposed transactions. These factors include, among others, the inherent uncertainty associated with financial projections; restructuring in connection with, and successful close of, the Covidien acquisition; subsequent integration of the Covidien acquisition and the ability to recognize the anticipated synergies and benefits of the Covidien acquisition; the risk that the required regulatory approvals for the proposed transactions are not obtained, are delayed or are subject to conditions that are not anticipated; the anticipated size of the markets and continued demand for Medtronic's and Covidien's products; the impact of competitive products and pricing; access to available financing (including financing for the acquisition or refinancing of Medtronic or Covidien debt) on a timely basis and on reasonable terms; the risks of fluctuations in foreign currency exchange rates; the risks and uncertainties normally incident to the medical device industry, including competition in the medical device industry; product liability claims; the difficulty of predicting the timing or outcome of pending or future litigation or government investigations; variability of trade buying patterns; the timing and success

of product launches; the difficulty of predicting the timing or outcome of product development efforts and regulatory agency approvals or actions, if any; potential for adverse pricing movement; costs and efforts to defend or enforce intellectual property rights; difficulties or delays in manufacturing; reduction or interruption in supply; product quality problems; the availability and pricing of third party sourced products and materials; risks associated with self-insurance and commercial insurance; successful compliance with governmental regulations applicable to New Medtronic s, Medtronic s and Covidien s facilities, products and/or businesses; changes in the laws and regulations, affecting among other things, pricing and reimbursement of pharmaceutical products; health care policy changes; risks associated with international operations; changes in tax laws or interpretations that could increase New Medtronic s or Medtronic s consolidated tax liabilities, including, if the transaction is consummated, changes in tax laws that would result in New Medtronic being treated as a domestic corporation for United States federal tax purposes; the loss of key senior management or scientific staff; and such other risks and uncertainties detailed in Medtronic s periodic public filings with the Securities and Exchange Commission, including but not limited to Medtronic s Annual Report on Form 10-K for the fiscal year ended April 26, 2013 and from time to time in Medtronic s other investor communications. Except as expressly required by law, each of New Medtronic and Medtronic disclaims any intent or obligation to update or revise these forward-looking statements.

### **Covidien Cautionary Statement Regarding Forward-Looking Statements**

Statements contained in this communication that refer to Covidien s estimated or anticipated future results, including estimated synergies, or other non-historical facts are forward-looking statements that reflect Covidien s current perspective of existing trends and information as of the date of this communication. Forward looking statements generally will be accompanied by words such as anticipate, believe, plan, could, should, estimate, expect, outlook, guidance, intend, may, might, will, possible, potential, predict, project, or other similar v expressions. It is important to note that Covidien s goals and expectations are not predictions of actual performance. Actual results may differ materially from Covidien s current expectations depending upon a number of factors affecting Covidien s business, Medtronic s business and risks associated with the proposed transactions. These factors include, among others, the inherent uncertainty associated with financial projections; the timing to consummate the proposed transactions; the risk that a condition to closing of the proposed transactions may not be satisfied; the risk that the required regulatory approvals for the proposed transactions are not obtained, are delayed or are subject to conditions that are not anticipated; New Medtronic s ability to achieve the synergies and value creation contemplated by the

proposed transactions; the anticipated size of the markets and continued demand for Medtronic's and Covidien's products; New Medtronic's ability to promptly and effectively integrate Medtronic's and Covidien's businesses; the diversion of management time on transaction-related issues; competitive factors and market conditions in the industry in which Covidien operates; Covidien's ability to obtain regulatory approval and customer acceptance of new products, and continued customer acceptance of Covidien's existing products; and the other risks identified in Covidien's periodic filings including its Annual Report on Form 10-K for the fiscal year ended September 27, 2013, and from time to time in Covidien's other investor communications. We caution you that the foregoing list of important factors is not exclusive. In addition, in light of these risks and uncertainties, the matters referred to in Covidien's forward-looking statements may not occur. Covidien undertakes no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as may be required by law.

#### **Statement Required by the Irish Takeover Rules**

The directors of Medtronic accept responsibility for the information contained in this announcement other than that relating to Covidien and the Covidien Group and the directors of Covidien and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the directors of Medtronic (who have taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of Covidien accept responsibility for the information contained in this announcement relating to Covidien and the directors of Covidien and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the directors of Covidien (who have taken all reasonable care to ensure such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Perella Weinberg Partners LP which is a registered broker dealer with the U.S. Securities and Exchange Commission, is acting for Medtronic and New Medtronic and no one else in connection with the Transaction and will not be responsible to anyone other than Medtronic and New Medtronic for providing the protections afforded to clients of Perella Weinberg Partners LP, or for giving advice in connection with the Transaction or any matter referred to herein.

Goldman Sachs, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting for Covidien and no one else in connection with the Transaction and will not be responsible to anyone other than Covidien for providing the protections afforded to clients of Goldman Sachs, or for giving advice in connection with the Transaction or any matter referred to herein.

### **Dealing Disclosure Requirements**

Under the provisions of Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2013 (the Irish Takeover Rules ), if any person is, or becomes, interested (directly or indirectly) in, 1% or more of any class of relevant securities of Covidien or Medtronic, all dealings in any relevant securities of Covidien or Medtronic (including by means of an option in respect of, or a derivative referenced to, any such relevant securities ) must be publicly disclosed by not later than 3:30 pm (Irish time) on the business day following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective or on which the offer period otherwise ends. If two or more persons co-operate on the basis of any agreement, either express or tacit, either oral or written, to acquire an interest in relevant securities of Covidien or Medtronic, they will be deemed to be a single person for the purpose of Rule 8.3 of the Irish Takeover Rules.

Under the provisions of Rule 8.1 of the Irish Takeover Rules, all dealings in relevant securities of Covidien by Medtronic or relevant securities of Medtronic by Covidien, or by any party acting in concert with either of them, must also be disclosed by no later than 12 noon (Irish time) on the business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose relevant securities dealings should be disclosed, can be found on the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie).

Interests in securities arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an interest by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a dealing under Rule 8, please consult the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie) or contact the Irish Takeover Panel on telephone number +353 1 678 9020 or fax number +353 1 678 9289.

### **No Profit Forecast / Asset Valuations**

No statement in this announcement is intended to constitute a profit forecast for any period, nor should any statements be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for Medtronic or Covidien or New Medtronic as appropriate. No statement in this announcement constitutes an asset valuation.

### **General**

This summary should be read in conjunction with the full text of the Rule 2.5 announcement. Appendix I to the Rule 2.5 announcement contains further details of the sources of information and bases of calculations set out in this announcement; Appendix II to the Rule 2.5 announcement contains definitions of certain expressions used in this announcement; Appendix III to the Rule 2.5 announcement contains the Conditions of the Acquisition and the Scheme; Appendix IV to the Rule 2.5 announcement sets out the report from PricewaterhouseCoopers in respect of certain merger benefit statements made in this announcement; Appendix V to the Rule 2.5 announcement contains the report from Perella Weinberg Partners LP, in respect of certain merger benefit statements made in this announcement and Appendix VI to the Rule 2.5 announcement sets out the Transaction Agreement.

The release, publication or distribution of this announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this announcement and all other documents relating to the Acquisition are not being, and must not be, released, published, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction. Persons receiving such documents (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the proposed Acquisition disclaim any responsibility or liability for the violations of any such restrictions by any person.

Any response in relation to the Acquisition should be made only on the basis of the information contained in the Scheme Circular or any document by which the Acquisition and the Scheme are made. Medtronic Shareholders and Covidien Shareholders are advised to read carefully the formal documentation in relation to the proposed Transaction once the Scheme Circular has been dispatched.

Pursuant to Rule 2.6(c) of the Irish Takeover Rules, this announcement will be available to Medtronic employees on Medtronic's website ([www.medtronic.com](http://www.medtronic.com)) and Covidien employees on Covidien's website ([www.covidien.com](http://www.covidien.com)).

NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OR REGULATIONS OF SUCH JURISDICTION.